

FOR THE SCHOOL YEAR JULY 1, 2001 - JUNE 30, 2002 (PROPERTY TAX YEAR 2001)

EXPLANATION OF CHANGES IN ADEQUATE EDUCATION GRANTS AND EXCESS PROPERTY TAX PAYMENTS FOR THE SCHOOL YEAR BEGINNING JULY 1, 2001

The school funding law enacted in 1999 requires that the Commissioner of the Department of Revenue Administration annually calculate the proportion of the state education property tax to be raised by each municipality. This amount is computed by multiplying the total equalized property value (without utility values), as determined by the Department of Revenue, by the uniform tax rate of \$6.60. This information is required to be reported by October 1 of each year in order to provide the information necessary for the following years budget preparation process, which begins in the Fall for most municipalities and school districts.

For the school year July 1, 2001 through June 30, 2002 (for which property taxes will generally be assessed and collected in July and December, 2001), the total state education property tax will be \$483,098,102. This 9.3% increase over the state education property taxes assessed in 1999 and 2000 is due to property value increases throughout the state resulting from new construction and strong real estate market conditions.

Local property assessments as of April 1, 1999, were "equalized" and reported in the department's equalization survey released last month. "Equalization" involves a process of comparing sales data to property assessments in order to approximate the full and true value of property in each municipality. Based upon these equalized values, the property taxes to be raised by each municipality, along with the adequate education costs recently computed by the Department of Education, are the two factors necessary to determine:

- the adequate education grants, or
- the excess property tax payments

for the school year beginning July 1, 2001. The amount of the grant, or the excess payment, for each municipality is the difference between these factors, as shown on the chart titled "WARRANTS FOR TAX YEAR APRIL 1, 2001".

The chart titled "SUMMARY OF CHANGES TO ADEQUACY GRANTS AND EXCESS PAYMENTS" compares the grant and state education tax amounts to be used for the school year beginning July 1, 2001 with those amounts used for the last school year and the upcoming school year (school years beginning July 1, 1999 and July 1, 2000).

Most municipalities saw an increase in both their cost of an adequate education and their equalized property values. Some municipalities had an increase in one of these factors and a decrease in the other factor. Thirteen municipalities had a decrease in both their adequacy costs and their equalized property values. The change in a municipality's cost of an adequate education in relation to the change in its equalized property values will determine the change in the grant amount or the change in the excess property tax payment amount.

The following chart illustrates the various scenarios affecting the changes in grant amounts:

Examples of Changes in Grant Amounts					
	State Education Property Tax		Cost of Adequacy		Grant Amount
Increase	(Decrease)	Increase	(Decrease)	Increase	(Decrease)
Andover	140,895		117,029		(23,866)
Barnstead	76,111		294,581		218,470

Berlin		(107,135)	646,475	753,610	
Fitzwilliam	67,660			(73,675)	(114,335)
Cornish		(15,946)		(36,629)	(20,683)
Lempster		(11,837)		(5,949)	5,888

In Andover, the property values increased to an extent that the state education tax exceeded the increase in the cost of adequacy. Since there was more property value available to support the increased adequacy costs, the grant amount decreased.

In Barnstead, although the property values also increased, the additional tax on those values was not sufficient to fund the increased adequacy costs. Therefore, the grant amount increased to make up the difference.

In Berlin, the cost of adequacy increased while the property values decreased. Since there is less property value to support the additional adequacy costs, the grant amount increased to make up the difference.

In Fitzwilliam, while the property values increased, the cost of adequacy decreased. There is more property value to support a lower cost, therefore the grant amount decreased.

In Cornish and Lempster, both the cost of adequacy and the property values decreased. However, in Cornish, the cost of adequacy decreased more than the property values, therefore the grant also decreased. In Lempster, the cost of adequacy decreased less than the property values, therefore the grant increased.

There is a total of 259 municipalities within the state which includes 13 cities, 221 towns and 25 unincorporated places. Overall, the adequate education grants increased in 110 municipalities and decreased in 90 municipalities, for a net increase of \$18,535,457 statewide. Regarding the excess property tax payments, 41 municipalities increased while 15 municipalities decreased. Four municipalities (Easton, Meredith, Pittsburg and Randolph) changed from receiving grants to providing excess property tax payments. Similar to the changes in the grant amounts, the changes for these four municipalities are the results of changes in their adequacy costs and their property values. Statewide, the excess property tax payments increased \$4,947,126. Seven unincorporated places had no change.

The net increase in the grants to be funded by state revenues other than the state education property tax is \$13,588,331. This is the difference between the increased grant amount of \$18,535,457 and the increase in the excess property tax payments of \$4,947,126.

ACCOMPANYING WORKSHEETS:

The worksheet entitled WARRANTS FOR TAX YEAR APRIL 1, 2001 shows the computations for the warrants, grants and excess property tax payments for the FY02 school year which begins July 1, 2001 (tax year April 1, 2001).

The worksheet entitled COMPARISON OF TAX YEAR 1999 AND 2000 WITH TAX YEAR BEGINNING APRIL 1, 2001 compares the adequacy amount, equalized valuation, state property tax, grant amount and excess property tax payment for FY02 (tax year 2001) to those amounts for FY00 and FY01 (tax years 1999 and 2000).

The worksheet entitled SUMMARY OF CHANGES TO ADEQUACY GRANTS AND EXCESS PAYMENTS shows the reasons for the changes in grant amounts and excess payments using columns C, I, K, L AND O from the COMPARISON worksheet.

FUNDING FOR SCHOOL YEAR JULY 1, 2001 - JUNE 30, 2002
(PROPERTY TAX YEAR APRIL 1, 2001)

INCREASE IN THE COST OF AN ADEQUATE EDUCATION.....	\$ 54.7 MILLION
INCREASE IN EQUALIZED PROPERTY VALUES.....	\$ 6.2 BILLION
INCREASE IN STATE EDUCATION PROPERTY TAX.....	\$ 41 MILLION
INCREASE IN ADEQUACY GRANT AMOUNTS.....	\$ 18.5 MILLION
INCREASE IN EXCESS PROPERTY TAX PAYMENTS.....	\$ 4.9 MILLION
INCREASE IN GRANTS FUNDED BY STATE REVENUES OTHER THAN THE STATE EDUCATION PROPERTY TAX.....	\$ 13.6 MILLION
NUMBER OF MUNICIPALITIES RECEIVING INCREASED GRANTS.....	110
NUMBER OF MUNICIPALITIES RECEIVING DECREASED GRANTS.....	90
NUMBER OF MUNICIPALITIES WHERE EXCESS PAYMENT INCREASED.....	41
NUMBER OF MUNICIPALITIES WHERE EXCESS PAYMENT DECREASED.....	15
NUMBER OF MUNICIPALITIES FORMERLY RECEIVING GRANTS, NOW MAKING EXCESS PAYMENTS.....	4